

Mr. Chairman, Members of the committee, I want to thank you for inviting me to participate in this hearing. The rising cost of health care, as we all know, is dealing a crippling blow to employers across the United States of America. Escalating premiums suffocate not only the employees but employers who struggle to provide a benefit to their employees. At the forefront of this escalation is the cost of prescription drugs. Controlling prescription drug costs is essential to containing health care costs. Unlike many other contributors to the cost of health care, prescription drugs serve not only in the treatment of illness but as a preventive measure. This is especially true in the treatment of chronic illness. Many recent reports document how escalating co-pays on pharmaceuticals lead to non-compliance on behalf of patients. This non-utilization can lead to the escalation of chronic illness and the subsequent grave implications to patient and employer. As a specific example, patients who fail to comply with medications that control blood sugar or hypertension are more likely to develop atherosclerosis which can lead to heart attack and stroke. For all these reasons, to describe but a few, it is imperative that an employer through the benefits offered its employees control prescription drug costs.

Within the context of my comments, the Federal government is the largest employer in the United States of America. Like all large employers the Federal government should capitalize on its purchasing power to lower its cost of goods and services. When the federal government secures pricing on an airplane, the price varies significantly on the quantity of the order. In fact, this concept is at the very essence of our capitalist economy. Health care should be no different. When the largest employer in the United States addresses the cost of providing prescription drugs to its employees, the first step seems obvious. The Federal government should use its purchasing power to secure preferential pricing for its insurance plans and for its employees.

The next question is how. What means does the federal government have to secure such pricing without a time consuming overhaul in health care delivery. In review of our current practice such a system already exists. In 1992 section 340B of the Public Health Service Act was enacted. This act requires drug manufacturers to provide outpatient drugs to certain covered entities at a reduced price. The process was further simplified through the creation of a "prime vendor." This process routinely yields pharmacy savings of 25-50% for the covered entities. Rather than create a second parallel process for group purchasing we should look to expand participation in this program to benefit federal employees and the United States government. One relatively simple solution would be to modify section 340B of the Public Health Service Act and the subsequent Pharmacy Affairs Branch definition of what constitutes a "patient" at a disproportionate share hospital to include federal employees within a geographic region. A qualifying entity could then establish an outpatient pharmacy, complete with mail order and internet capabilities, to provide prescription drugs at markedly discounted prices. Since these entities are not allowed to resell or mark-up 340b prices, a minimal processing and handling fee would be the only incremental cost added to the below wholesale prices. This decreased pharmaceutical cost would be incorporated into the various health plans available to federal employees without limiting their choice of insurance product. Using a conservative reduction of 30% in pricing and 90% employee compliance, this methodology could save the federal government near \$750 million per annum. These savings could then pass through to the employer, in the form of decreased premiums, and to the patient/employee in the form of decreased premiums and decreased co-pays.

Members of Congress, I want to reiterate my thanks for inviting me to this hearing. I also pledge my assistance and the assistance of my organization, Caritas Christi health care, in helping comb through the difficult struggle of ensuring access, maximizing quality, and minimizing costs in health care.